

## Message Text

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PAGE 01     BRASIL 07176 162127Z

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ACTION AGR-08

INFO OCT-01 ARA-06 EUR-12 ISO-00 EB-07 COME-00 TRSE-00

CIAE-00 INR-07 NSAE-00 H-02 IO-13 /056 W

----- 013493

R 162010Z AUG 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7352

INFO AMEMBASSY BOGOTA

AMEMBASSY LONDON

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: EPAP, ETRD, BR

SUBJ: BRAZILIAN COFFEE PRODUCTION; ICA; SALVADOR PURCHASE

REF: SAO PAULO 1892 (NOTAL)

1. SUMMARY. FROM SEVERAL SOURCES OVER THE PAST WEEK EMBASSY AND CONSULATE SAO PAULO AND RIO OFFICERS HAVE HEARD REPORTS THAT 75/76 COFFEE PRODUCTION MIGHT BE LESS THAN THE MOST RECENT OFFICIAL ESTIMATE, 7.3 MILLION BAGS. FAS-BRAZIL, HOWEVER, CONTINUES TO ESTIMATE PRODUCTION WELL ABOVE THIS OFFICIAL ESTIMATE. FONOFF OFFICIALS DENY SALVADOR PURCHASE PREJUDICED SFRC CONSIDERATION OF ICA. END SUMMARY.

2. SEVERAL SOURCES WITH WHOM EMBASSY AND CONSULATES SAO PAULO AND RIO OFFICERS WERE IN TOUCH LAST WEEK REPORTED THAT 75/76 COFFEE PRODUCTION WOULD FALL BELOW THE MOST RECENT OFFICIAL (BRAZILIAN COFFEE INSTITUTE, IBC) ESTIMATE, 7.3 MILLION BAGS. THE REASON OFTEN GIVEN FOR THE SHORTFALL IS DRY WEATHER. THE REPORTS WE HAVE HEARD ARE:

(A) KNOWLEDGEABLE FONOFF OFFICIALS CLAIMED THAT AN IBC SOURCE INFORMED THEM RECENTLY THAT 75/76 PRODUCTION WOULD BE (ONE OFFICER SAID) "BELOW 7 MILLION BAGS" OR  
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PAGE 02     BRASIL 07176 162127Z

(ANOTHER OFFICER SAID) "ABOUT 6 MILLION BAGS." THE OFFI-

CIALS STRESSED THAT THESE ESTIMATES WERE BASED ON INCOMPLETE INFORMATION. THEY SAID IBC PLANS NOT TO MAKE PUBLIC ANOTHER ESTIMATE PRIOR TO THE END OF AUGUST OR MID-SEPTEMBER, WHEN BETTER INFORMATION WILL BE AVAILABLE.

(B) A SOURCE IN RIO DE JANEIRO WHO WRITES ON COFFEE FOR A MAJOR JOURNAL TOLD A CONGEN RIO OFFICER THAT PRODUCTION WOULD BE BELOW THE OFFICIAL ESTIMATE.

(C) A SOURCE IN THE SANTOS TRADE HAS INFORMED CONGEN SAO PUALO OFFICERS THAT PRODUCTION WOULD BE ONLY 5 MILLION BAGS. THE SOURCE CLAIMED OTHER TRADERS SHARE THIS VIEW. CONGEN SAO PUALO OFFICERS EXPECT TO TALK WITH OTHER TRADE SOURCES THIS WEEK.

3. FAS-BRAZIL CROP ESTIMATE OF 9.5 TO 10.0 MILLION BAGS, DOWN 58 TO 60 PERCENT FROM LAST YEAR'S PRODUCTION IS BASED UPON AN FAS APRIL FIELD SURVEY THROUGH THE COFFEE PRODUCING AREAS OF BRAZIL. THE EXTREMELY LOW PRODUCTION ESTIMATES BY IBC AND THE TRADE, FAS BELIEVES, ARE MANEUVERS DESIGNED TO KEEP THE WORLD COFFEE MARKET BULLISH. NOW THAT THE COFFEE HARVEST HAS BEEN COMPLETED, FAS OFFICERS HAVE SCHEDULED ANOTHER FIELD SURVEY, WHICH COMMENCES AUGUST 16.

4. THE FONMIN OFFICIALS VOLUNTEERED THEIR VIEW THAT THE EL SALVADOR PURCHASE SEEMED NOT TO HAVE PREJUDICED SENATE FOREIGN RELATIONS COMMITTEE (SFRC) CONSIDERATION OF THE ICA. THEY PREDICTED THAT WORLD COFFEE PRICES WOULD RISE NOT BECAUSE OF THE PURCHASE, BUT BECAUSE OF THE GROWING REALIZATION OF SHORT SUPPLY, PARTLY BECAUSE OF LOWER-THAN-EXPECTED BRAZILIAN PRODUCTION THIS YEAR. EMBOFF SAID HE HAD NOT INFORMATION ABOUT THE EFFECT OF THE SALVADOR PURCHASE ON SFRC CONSIDERATION, BUT HE NOTED THAT THE FULL SENATE STILL MUST APPROVE THE ICA. HE ALSO REITERATED THE US PLAN TO RAISE THE QUESTION OF THE PURCHASE IN THE ICO.  
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## Message Attributes

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